

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Beaver Creek Twp	County Crawford
Fiscal Year End June 30, 2006	Opinion Date September 14, 2006	Date Audit Report Submitted to State December 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

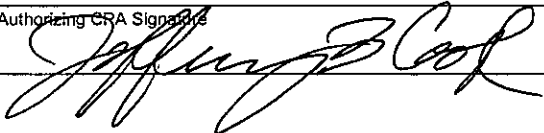
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	none required	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 West First St		City Gaylord	State Mi
		Zip 49735	
Authorizing CRA Signature 		Printed Name Jeffrey B Cook	License Number 11876

**TOWNSHIP OF BEAVER CREEK
CRAWFORD COUNTY, MI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

**Beaver Creek Township
Board Members**

Lee Riley, Supervisor

Sharon Hartman, Clerk

Vivian Balmes, Treasurer

Linda Little, Trustee

Kathy Mobarak, Trustee



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

September 14, 2006

To the Township Board
Beaver Creek Township
Crawford County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund activities, and the aggregate remaining fund information of the Township of Beaver Creek, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund activities and the aggregate remaining fund information of the Township of Beaver Creek as of June 30, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-5 and budgetary comparison information on pages 26-31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin Cook Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

**BEAVER CREEK TOWNSHIP
8888 S. GRAYLING ROAD
GRAYLING, MI 49738**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006**

This section of the Beaver Creek Township annual financial report presents our discussion and analysis of the entity's financial performance during the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS:

Assets totaled approximately \$1,000,000, of which \$640,000 represents capital assets net of accumulated depreciation. Liabilities totaled approximately \$600,000, of which \$87,000 is payable within the next fiscal year.

Overall revenues approximated \$645,000. Of this total, \$71,000 represents program revenues, consisting mainly of charges for services and program-specific grants; \$883,000 represents general revenues, primarily comprised of property tax income and state shared revenues.

Expenditures for the Township totaled \$990,000. Major expenditures include township administration, public safety, and public works.

The Township's taxable value increased by 2.37% during the last year, from \$78,890,935 to \$80,762,501.

The Fire Department received grant monies from the Assistance to Firefighters Grant Program and purchased significant fire protection equipment. A more detailed discussion of capital asset activity is presented in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about the overall financial status of the Township.

The remaining statements are fund financial statements which focus on individual parts of the entity in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the

Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure financial health or position.

Over time, increases and decreases in net assets are an indicator of whether financial position is improving or deteriorating. However, to assess overall health of the Township, you may also have to consider additional factors such as tax base changes, economic conditions, and facility conditions.

All of the activities of the Township are reported as governmental activities. The Township does not engage in any business-type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following kinds of funds:

Governmental Funds

All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the differences between them.

Fiduciary Funds

The Township acts as a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are distributed according to their intended purpose and at the direction of those to whom the funds belong. These activities do not appear in the government-wide financial statements since the assets do not belong to the Township.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets - the Township's net assets for the year ended June 30, 2006 totaled \$544,953, an increase from the prior year of \$48,319.

The increase in net assets is due primarily to special assessments for road improvements.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund - State shared revenue increased this year and special assessments increased significantly to fund road improvements. Expenditures increased mainly due to several major road improvement projects. Revenue from special assessments will be earned over the next eight years to offset these expenditures.

Fire Fund – The fire department collected grant monies from the Assistance to Firefighters Grant Program to purchase fire protection equipment. The fire fund had a deficit of \$41,992 but we are taking action to recover the deficit early in fiscal year 2007.

Park Fund – The Park Fund received most of its revenue from rent and picnic donations. The only major expenditure was for the annual picnic.

Liquor Law Enforcement Fund – Activities remain stable with monies received from the State for support.

CAPITAL ASSET AND LONG TERM DEBT ACTIVITY

Capital Assets

The Township purchased approximately \$61,000 in fire protection equipment during the year.

Long-Term Debt

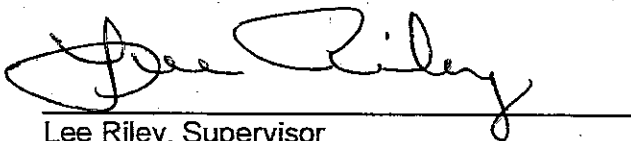
The Township incurred \$343,630 in new debt during the year related to road improvements. Residents were assessed special amounts for the improvements that will be collected over the next eight years. Interest paid on long-term debt amounted to \$38,928.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The area in the vicinity of I-75 and the Four Mile Road Interchange may be on the verge of extended commercial growth. Demands on the township for expanded service may become a reality in the very near future. Grayling Township our neighbor to the north and Beaver Creek have entered into a joint agreement to form a utility authority. This effort, when completed, will allow both townships to provide utilities to new development and existing commercial and industrial facilities in that area. It is likely that this township will move toward taking on control of a building department. It is also likely that we will be extending office hours. Decisions will be made in the next few months concerning how solid waste is handled within our borders.

CONTACTING ENTITY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and interested parties with a general overview of the Township's finances and to demonstrate its accountability for the revenues it receives. If you have questions concerning this report, please contact Beaver Creek Township, 8888 S. Grayling Road, Grayling, MI 49738 or call 989 275-8878.



Lee Riley, Supervisor
Beaver Creek Township

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF NET ASSETS
JUNE 30, 2006**

Assets

Cash and equivalents	\$ 120,876
Special assessments receivable	381,238
Capital assets not being depreciated	45,000
Capital assets being depreciated	596,545
Total assets	1,143,659

Liabilities

Accrued liabilities	11,523
Accrued interest	14,840
Long-term debt:	
Due in one year or less	87,000
Due in more than one year	485,343
Total liabilities	598,706

Net Assets

Invested in capital assets, net of related debt	(69,202)
Restricted for:	
Fire protection	(41,992)
Parks and recreation	14,058
Liquor law enforcement	1,260
Unrestricted	640,829
Total net assets	\$ 544,953

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions / Programs	P r o g r a m R e v e n u e s				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 279,719	\$ 40,055	\$ 3,735	\$ -	\$ (235,929)
Public safety	292,385	3,040	1,512	19,888	(267,945)
Public works	370,704	-	-	-	(370,704)
Recreation and culture	9,248	-	3,119	-	(6,129)
Interest on long-term debt	38,928	-	-	-	(38,928)
Total primary government	\$ 990,984	\$ 43,095	\$ 8,366	\$ 19,888	\$ (919,635)
General revenues:					
Taxes and assessments					355,930
State shared revenue (not restricted to specific purpose)					101,568
Property tax administration fee					29,480
Road special assessment revenue					343,630
Interest income					4,867
Rents and royalties					35,923
Other					12,223
Total general revenues					883,621
Change in net assets					(36,014)
Net Assets - Beginning of Year					580,967
Net Assets - End of Year					\$ 544,953

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Major Funds</u>		Non-major	
	<u>General</u>	<u>Fire</u>	<u>Funds</u>	<u>Total</u>
Assets				
Cash	\$ 90,044	\$ 15,514	\$ 15,318	\$ 120,876
Special assessments receivable	381,238	-	-	381,238
Due from other funds	51,000	-	-	51,000
Total assets	<u>522,282</u>	<u>15,514</u>	<u>15,318</u>	<u>553,114</u>
Liabilities and Fund Balance				
Liabilities:				
Accrued wages	5,018	6,505	-	11,523
Deferred revenue	381,238	-	-	381,238
Due to other funds	-	51,000	-	51,000
Total liabilities	<u>386,256</u>	<u>57,505</u>	<u>-</u>	<u>443,761</u>
Fund balance (deficit):				
Unreserved / Undesignated	136,026	-	-	136,026
Reserved for:				
Fire protection	-	(41,992)	-	(41,992)
Parks and recreation	-	-	14,058	14,058
Liquor law enforcement	-	-	1,260	1,260
Total fund balance (deficit)	<u>136,026</u>	<u>(41,992)</u>	<u>15,318</u>	<u>109,352</u>
Total liabilities and fund balance	<u>\$ 522,282</u>	<u>\$ 15,513</u>	<u>\$ 15,318</u>	<u>\$ 553,113</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balance - Governmental Activities (per Balance Sheet - page 8)	\$ 109,352
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds	641,545
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Long-term debt and accrued interest are not recorded in the fund financial statements	(587,182)
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The fund financial statements do not recognize revenue until it is measurable and available; the government-wide statements record revenue as it is earned, regardless of when it is collected. This amount represents the revenue that has been deferred in the fund statements but recognized as revenue in the government-wide statements	381,238
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Total Net Assets - Governmental Activities (per Statement of Net Assets - Page 6)	\$ 544,953
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See accompanying notes to financial statements.

TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>Major Funds</u>		Non-major	
	<u>General</u>	<u>Fire</u>	<u>Funds</u>	<u>Total</u>
Revenues				
Taxes and assessments	\$ 164,854	\$ 228,870	\$ -	\$ 393,724
State sources	101,568	-	1,512	103,080
Charges for services	47,577	40	-	47,617
Trash bag sales revenue	20,908	-	-	20,908
Grant revenue	-	19,888	-	19,888
Rent	-	17,945	4,400	22,345
Royalty	13,578	-	-	13,578
Interest	3,854	50	69	3,973
Refunds and reimbursements	-	1,208	-	1,208
Miscellaneous revenue	7,449	8,494	3,119	19,062
Total revenues	359,788	276,495	9,100	645,383
Expenditures				
Current:				
General government	268,704	-	-	268,704
Public works	370,704	-	-	370,704
Public safety	774	262,222	1,615	264,611
Recreation and culture	-	-	3,998	3,998
Capital outlay	2,058	18,938	-	20,996
Debt service:				
Principal	46,710	30,727	-	77,437
Interest	22,694	7,713	-	30,407
Total expenditures	711,644	319,600	5,613	1,036,857
Excess (deficiency) of revenues over (under) expenditures	(351,856)	(43,105)	3,487	(391,474)
Other financing sources				
Proceeds from the issuance of debt	343,630	-	-	343,630
Excess (deficiency) of revenues and other sources over (under) expenditures	(8,226)	(43,105)	3,487	(47,844)
Fund balance - Beginning of Year	144,252	1,113	11,831	157,196
Fund balance (deficit) - End of year	\$ 136,026	\$ (41,992)	\$ 15,318	\$ 109,352

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Change in Fund Balance - Total Governmental Funds (per Statement of Revenues, Expenditures, and Changes in Fund Balance - Page 10)	\$	(47,844)
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Amounts reported for governmental activities in the Statement of
Activities (Page 7) are different because:

Capital outlay purchases are recorded as an expenditure in the fund financial statements but are recorded as capital assets in the government-wide statements		20,996
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Depreciation expense; recorded in the government-wide financial statements		(44,039)
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Payments on long-term debt are recorded as an expenditure in the fund financial statements but are a reduction to outstanding balances in the government-wide statements		77,437
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Proceeds from the issuance of debt is recorded as revenue in the fund financial statements but recorded as long-term debt in the government-wide statements		(343,630)
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Special assessment revenues are recorded in the Statement of Activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year-end.		309,587
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Interest expense incurred on outstanding bond principal payments are recorded when incurred in the Statement of Activities		(8,521)
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Change in Net Assets - Governmental Activities (Per Statement of Activities - Page 7)	\$	(36,014)
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See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2006**

	Assets	
Cash		\$ 1,079
		<u><u> </u></u>
	Liabilities	
Due to other governments		\$ 1,079
		<u><u> </u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1: ENTITY

The Township of Beaver Creek is located in Crawford County, Michigan and has a population of approximately 1,500 people. The Township offices are located at 8888 South Grayling Road, Grayling, Michigan.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all the governmental functions of the Township of Beaver Creek.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Beaver Creek Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Beaver Creek Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT
PRESENTATION**

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities, such as tax collection activities.

Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township does not engage in any business-type activities.

TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)**

Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Fire Fund - This fund is used to account for all financial activity related to the Township's Fire Department. The main source of revenue is derived from property taxes.

The Township reports its Park and Liquor Law Enforcement Funds as non-major funds.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Other Funds

Fiduciary Fund - This fund is used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

PROPERTY TAXES

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

- a) Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.
- b) In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records property tax revenue on the lien date when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005 are recorded as revenue in the current fiscal year.
- c) The Township 2005 tax roll millage rate was 0.9701 mills. Fire and road taxes are derived from special assessments.

BUDGETS

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements.

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Township Board.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS (CONTINUED)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.
10. Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.
11. The Township overspent its budget in the General Fund for two activities: Township Supervisor and Building and Grounds. The Township Supervisor activity overspent by \$66 and Building and Grounds overspent by \$3,198.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow

Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Fire Vehicles	20 years

Land and construction in progress are not depreciated.
For information describing capital assets, see Note 6.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

ACCUMULATED UNPAID BENEFITS

Employees are not allowed to accumulate vacation and sick pay; therefore, no accumulated amount has been recorded in these financial statements.

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

FUND DEFICITS

As of June 30, 2006, the Township has accumulated a fund deficit of \$41,992 in the fire fund. The Township levied to have taxes collected in July versus December to recover the deficit in July 2006. The Township also plans to expend less in Fiscal Year 2007. Any deficit remaining at the end of Fiscal Year 2007 will be covered by undesignated funds from the General Fund.

NOTE 4: CASH AND EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 4: CASH AND EQUIVALENTS (CONTINUED)

The Township has designated two banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 is in compliance with statutory authority.

At June 30, 2006, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and equivalents	\$ 120,876	\$ 1,079	\$ 121,955

The breakdown of cash and equivalents for the Township is as follows:

	<u>Primary Government</u>
Bank deposits - checking and savings accounts	\$ 5,322
Bank money market accounts	91,633
Certificate of deposit	25,000
	<u>\$ 121,955</u>

Deposits

The bank balance of the Township's deposits is \$124,816 which is entirely covered by federal depository insurance.

NOTE 5: SPECIAL ASSESSMENT RECEIVABLE / DEFERRED REVENUE

The Township has entered into special assessment arrangements in order to perform major improvements on roads within the Township.

FUND FINANCIAL STATEMENTS

Under the modified accrual basis of accounting for purposes of the fund financial statements, each special assessment is recorded as a receivable and deferred revenue until a portion of the assessment is included on the tax roll, at which time the portion becomes measurable and available and is recognized as revenue.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

**NOTE 5: SPECIAL ASSESSMENT RECEIVABLE / DEFERRED REVENUE
(CONTINUED)**

The special assessment receivable is expected to be received and recorded as revenue according to the following schedule:

	Billman/ Skyline Road	Majestic Hills Court	Balmes Trail	Crossing Deer Court
2006	10,128.82	11,500.00	22,200.00	4,863.04
2007	10,128.82	11,500.00	22,200.00	4,863.04
2008	10,128.82	11,500.00	22,200.00	4,863.04
2009	10,128.82	11,500.00	22,200.00	4,863.04
2010	10,128.61	11,500.00	22,200.00	4,863.04
2011-2014	-	46,000.00	28,800.00	14,588.56
	<u>\$ 50,643.89</u>	<u>\$ 103,500.00</u>	<u>\$ 139,800.00</u>	<u>\$ 38,903.76</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Under the accrual basis of accounting, for purposes of the government-wide financial statements, the full amount of each assessment was recognized as revenue in the initial year (no revenue was deferred). The subsequent collections each tax year, according to the schedule above, reduce the special assessment receivable.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 6: CAPITAL ASSETS

Capital asset activity of the Township's governmental activity was as follows:

Governmental Activities:	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated - land	\$ 45,000	\$ -	\$ -	\$ 45,000
Capital assets being depreciated:				
Buildings	342,364	-	-	342,364
Land improvements	83,145	-	-	83,145
Machinery and equipment	490,243	20,996	-	511,239
Subtotal	915,752	20,996	-	936,748
Accumulated depreciation:				
Buildings	82,028	8,809	-	90,837
Land improvements	19,329	3,326	-	22,655
Machinery and equipment	194,807	31,904	-	226,711
Subtotal	296,164	44,039	-	340,203
Net capital assets being depreciated	619,588	(23,043)	-	596,545
Net capital assets	<u>\$ 664,588</u>	<u>\$ (23,043)</u>	<u>\$ -</u>	<u>\$ 641,545</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:	
General government	\$ 11,015
Public safety	27,774
Recreation and culture	5,250
Total governmental activities	<u>\$ 44,039</u>

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 7: LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment purchase contracts:				
Fire truck, payable in annual installments ranging from \$15,710 to \$16,690, plus interest at 3.75% through March 2008	32,401	(15,710)	16,691	16,690
Township hall, payable in annual installments of \$12,667, plus semi-annual interest at 4.25% through 2016	126,667	(12,667)	114,000	12,667
Fire hall addition payable in annual installments of \$12,100, plus interest at 3.99% through 2012	72,514	(12,100)	60,414	12,100
Fire van, payable in annual installments of \$2,917, plus interest at 5.34%, through 2006	2,917	(2,917)	-	-
Special assessment notes payable:				
Skyline / Billman Road, payable in annual installments of \$11,180, plus interest at 3.99%, through 2008	71,651	(11,180)	60,471	11,180
Majestic Hills Court, payable in annual installments of \$11,500, plus interest at 4.50%, through 2015	-	115,000	115,000	11,500
Balmes Trail / West Ridge, payable in annual installments of \$18,000, plus interest at 4.50%, through 2015	-	180,000	162,000	18,000
Crossing Deer Court, payable in annual installments of \$4,863, plus interest at 4.20%, through 2014	-	48,630	43,767	4,863
Total governmental activities	<u>\$ 306,150</u>	<u>\$ 289,056</u>	<u>\$ 572,343</u>	<u>\$ 87,000</u>

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 7: LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above installment purchase contracts and special assessment notes payable are as follows:

	Governmental Activities		
	Principle	Interest	Total
2007	\$ 87,000	\$ 25,179	\$ 112,179
2008	87,000	22,120	109,120
2009	53,619	19,062	72,681
2010	70,310	16,003	86,313
2011	70,224	12,945	83,169
2012 - 2016	204,190	24,674	228,864
Total	<u>\$ 572,343</u>	<u>\$ 119,983</u>	<u>\$ 692,326</u>

NOTE 8: PENSION PLAN

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended June 30, 2006 was \$16,182.

NOTE 9: CONTINGENCIES

INSURANCE COVERAGE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participants plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF BEAVER CREEK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 9: CONTINGENCIES (CONTINUED)

GRANTS

The Township has received grant monies from federal, state, and local sources. Grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Township's unrestricted fund balance. The Township feels that any potential disallowances, if any, are immaterial.

NOTE 10: RELATED PARTY TRANSACTIONS

The Township fire chief is also a Board member of Mobile Medical Response, Inc. (MMR) who leases a portion of the Township's fire department's fire hall. Total lease revenue for the year ended June 30, 2006 is \$17,945.

NOTE 11: SUBSEQUENT EVENT

During the year ended June 30, 2006, the Township entered into a special assessment arrangement to perform road improvements for Balmes Trail and West Ridge. As of June 30, 2006, the total debt associated with this project was \$162,000. Subsequent to year-end, the debt associated with this project was increased by \$40,000 to \$202,000.

TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property tax and assessments	\$ 127,150	166,135	\$ 164,854	(1,281)
State sources	101,800	101,800	101,568	(232)
Charges for services	53,500	53,500	47,577	(5,923)
Trash bag sales revenue	18,000	18,000	20,908	2,908
Royalty	9,000	9,000	13,578	4,578
Interest	1,000	1,000	3,854	2,854
Miscellaneous revenue	2,650	2,650	7,449	4,799
Total Revenues	313,100	352,085	359,788	7,703
Expenditures				
General government				
Township Board:				
Trustee wages	4,920	4,920	4,920	-
Fringe benefits	17,665	17,665	18,438	(773)
Postage	4,500	4,500	2,862	1,638
Supplies	2,500	2,500	1,563	937
Printing and publishing	2,000	2,000	2,097	(97)
Insurance and bonds	6,000	6,000	5,870	130
Miscellaneous	126,430	126,395	6,510	119,885
Dues and memberships	1,500	1,500	1,507	(7)
Education and training	800	800	-	800
Computer software	-	-	257	(257)
Computer hardware	400	400	1,074	(674)
Computer support	6,000	6,000	3,796	2,204
Total Township Board	172,715	172,680	48,894	123,786
Township Supervisor:				
Wages	22,100	22,100	22,976	(876)
Fringe benefits	3,470	3,470	3,590	(120)
Mileage	200	200	-	200
Education and training	800	800	70	730
Total Township Supervisor	26,570	26,570	26,636	(66)
Assessor:				
Contractual services	28,370	28,370	28,370	-
Miscellaneous	310	310	310	-
Total Assessor	28,680	28,680	28,680	-

TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Clerk:				
Wages	24,800	24,800	25,762	(962)
Fringe benefits	14,075	14,075	12,265	1,810
Deputy wages	700	700	449	251
Mileage	300	300	413	(113)
Education and training	1,000	1,000	998	2
Total Township Clerk	40,875	40,875	39,887	988
Board of Review:				
Wages	800	800	950	(150)
Total Board of Review	800	800	950	(150)
Township Treasurer:				
Wages	22,100	22,100	22,976	(876)
Fringe benefits	11,745	11,745	11,109	636
Deputy wages	250	250	68	182
Mileage	400	400	416	(16)
Education and training	1,000	1,000	846	154
Total Township Treasurer	35,495	35,495	35,415	80
Building and grounds:				
Custodian wages	12,600	12,600	16,710	(4,110)
Secretary wages	14,800	14,800	16,669	(1,869)
Fringe benefits	7,620	7,620	7,604	16
Supplies	2,000	2,000	2,074	(74)
Snow removal	800	800	1,580	(780)
Mileage	100	100	271	(171)
Electric	3,500	3,500	3,719	(219)
Phone	3,700	3,700	2,973	727
Heat	4,300	4,300	4,261	39
Repair and maintenance	3,000	3,000	2,170	830
Miscellaneous	1,800	1,835	1,422	413
Capital outlay	2,000	2,000	-	2,000
Total buildings and grounds	56,220	56,255	59,453	(3,198)
Cemetery:				
Supplies	50	50	-	50
Contractual services	1,000	1,000	600	400
Electricity	100	100	93	7
Repairs and maintenance	1,000	1,000	800	200
Total cemetery	2,150	2,150	1,493	657

TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Zoning				
Wages	20,681	20,681	19,831	850
Legal	3,000	3,000	6,835	(3,835)
Miscellaneous	600	600	630	(30)
Total zoning	24,281	24,281	27,296	(3,015)
Total general government	387,786	387,786	268,704	119,082
Public safety	750	750	774	(24)
Public works				
Sewer / water	2,500	2,500	3,091	(591)
Street lighting	100	100	-	100
Transfer site	18,375	18,375	23,983	(5,608)
Contractual road work	18,000	56,985	343,630	(286,645)
Total public works	38,975	77,960	370,704	(292,744)
Capital outlay	3,000	3,000	2,058	942
Debt service				
Debt retirement	17,500	17,500	46,710	(29,210)
Interest on debt	-	-	22,694	(22,694)
Total debt service	17,500	17,500	69,404	(51,904)
Total expenditures	448,011	486,996	711,644	(224,648)
Excess (deficiency) of revenues over (under) expenditures	(134,911)	(134,911)	(351,856)	(216,945)
Other financing sources				
Proceeds from the issuance of debt	-	-	343,630	343,630
Deficiency of revenues under expenditures and other sources	(134,911)	(134,911)	(8,226)	126,685
Fund Balance - Beginning of Year	144,252	144,252	144,252	-
Fund Balance - End of Year	\$ 9,341	\$ 9,341	\$ 136,026	\$ 126,685

TOWNSHIP OF BEAVER CREEK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property tax and assessments	\$ 229,021	\$ 229,021	\$ 228,870	\$ (151)
Charges for services	-	-	40	40
Grant revenue	27,644	27,644	19,888	(7,756)
Rent	17,944	17,944	17,945	1
Interest	100	100	50	(50)
Refunds and reimbursements	3,000	27,168	1,208	(25,960)
Miscellaneous revenue	18,167	20,582	8,494	(12,088)
Total Revenues	295,876	322,459	276,495	(45,964)
Expenditures				
Public safety:				
Wages	129,026	129,026	144,363	(15,337)
Fringe benefits	39,516	39,516	38,836	680
Office supplies	850	850	1,112	(262)
Rescue supplies	2,600	2,600	4,454	(1,854)
Repairs and maintenance	13,300	37,468	24,503	12,965
Miscellaneous	6,300	6,300	6,506	(206)
Liability insurance	10,500	10,500	12,363	(1,863)
Utilities	11,490	11,490	11,788	(298)
Education and training	250	2,845	3,008	(163)
Capital improvements	16,807	16,807	15,289	1,518
Total public safety	230,639	257,402	262,222	(4,820)
Capital outlay	20,000	20,000	18,938	1,062
Debt service				
Principal	34,837	34,837	30,727	4,110
Interest	-	-	7,713	(7,713)
Total debt service	34,837	34,837	38,440	(3,603)
Total expenditures	285,476	312,239	319,600	(7,361)
Excess (deficiency) of revenues over (under) expenditures	10,400	10,220	(43,105)	(53,325)
Fund Balance - Beginning of Year	1,113	1,113	1,113	-
Fund Balance - End of Year	\$ 11,513	\$ 11,333	\$ (41,992)	\$ (53,325)

TOWNSHIP OF BEAVER CREEK
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

		<u>Parks</u>	<u>Liquor Law Enforcement</u>	<u>Total</u>
	Assets			
Cash		\$ 14,058	\$ 1,260	\$ 15,318
		<u> </u>	<u> </u>	<u> </u>
	Fund Balance			
Fund balance - unreserved and undesignated		\$ 14,058	\$ 1,260	\$ 15,318
		<u> </u>	<u> </u>	<u> </u>

**TOWNSHIP OF BEAVER CREEK
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Park	Liquor Law Enforcement	Total
Revenue			
State sources	\$ -	\$ 1,512	\$ 1,512
Donations	3,025	-	3,025
Interest	63	6	69
Other	4,494	-	4,494
Total revenues	7,582	1,518	9,100
Expenditures			
Public safety	-	1,615	1,615
Recreation and culture	3,998	-	3,998
Total expenditures	3,998	1,615	5,613
Excess (deficiency) of revenues over (under) expenditures	3,584	(97)	3,487
Fund balance - Beginning of year	10,474	1,357	11,831
Fund balance - End of year	\$ 14,058	\$ 1,260	\$ 15,318